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Next 6 Page(s) In Document Denied

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ARTICLE APPEARED ON PAGE A-6

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Soviet Reducing Oil Exports to East Europe

By ROBERT D. HERSHEY Jr.
Special to The New York Times

WASHINGTON, Sept. 16 — The Soviet Union, faced with rising oil-production costs and stagnating output, has begun to reduce its subsidized exports to its allies, according to a study of Soviet energy prospects published by the Brookings Institution.

The author, Ed A. Hewett, discussed his findings here Friday in a news conference, in which he said:

"No one knows how far you can cut oil exports to Eastern Europe and still maintain political stability. Today the Soviets are engaging in a grand experiment. They are going to find out."

Mr. Hewett's analysis was financed in part by the Department of Energy, the Ford Foundation and the German Marshall Fund of the United States. It says the Soviet Union, which has been the world's leading oil producer since 1974, is under a growing financial squeeze in exploiting its huge reserves and is therefore earmarking more oil for Western markets, which yield hard-currency earnings.

Impact of Higher Prices

"Having allowed Eastern Europe to postpone its response to the effects of the energy crisis — at considerable cost to the Soviet economy — the issue now is how gradually to force Eastern Europe to come to terms with the new price of energy," Mr. Hewett says in his study, "Energy Economics and Foreign Policy in the Soviet Union," published last week.

"Higher costs, in the context of a relatively slow growth of national income, will act as a continuous source of pressure on Soviet leaders to recast their relationship with Eastern Europe."

But if the Soviet Union presses too hard, Mr. Hewett says, it may inspire political problems in Eastern Europe that could bring it into conflict with the United States.

Mr. Hewett, an economist specializing in Soviet bloc affairs, is associated with the Brookings Institution, a research and graduate training organization. He is also the editor of Soviet Economy, an academic journal starting publication this year.

Despite the leveling off of Soviet oil output at 12.3 million barrels a day, Mr. Hewett sees little risk of confrontation in the Middle East.

In the late 1970's, the Central Intelligence Agency produced a study suggesting that the Soviet Union would become a net importer of oil in the early 1980's and might therefore threaten a takeover of Persian Gulf oil.

That possibility, Mr. Hewett said after his news conference, "is no longer a serious proposition."

The C.I.A. study, released in April 1977 when the Carter Administration was preparing a new American energy policy to reduce dependence on imports, erred mainly in the timing of its prediction that Soviet production was about to reach its practical limit.

Water Injection a Problem

According to Mr. Hewett, its publication, by drawing attention to the mismanagement of Soviet oilfields through the excessive use of water injection, may in fact have helped bring this problem to the attention of top Soviet officials. They appear to have taken steps to reduce the overly rapid depletion of fields, thereby extending their life and raising their ultimate yield.

Although the Soviet Union's oil production has been stagnating, the size of its overall energy reserves and the flexibility it has to substitute natural gas and coal for oil mean that it is likely to remain an energy-exporting nation, Mr. Hewett said.

The investment costs, however, are rising dramatically since the sparsely populated and inhospitable areas of northwest Siberia now account for more than half of Soviet oil production and nearly half of the natural gas, Mr. Hewett found.

Mr. Hewett said at the news conference that the Reagan Administration did not fully understand the Russians' capabilities when it sought to impede the development of natural gas by withholding Western equipment. Their only major weakness is in seismic equipment, Mr. Hewett declared.

"They are very good at laying pipeline," he said.

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